International Policy Update & Producer Opportunities

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Overview

- Trade Trends
- International Institutions
- Trade Agreements
- Conclusions & Implications
Trade Trends & International Setting
Ind. + 8%, Dev. + 31%
World Economic Output

GDP, Trillion 1997 Dollars

NA  WE  I. ASIA  EE/FSU
D. ASIA  ME  AFR  CSA

Ind. + 64%, Developing + 140%

U.S. Tariffs, 1789-2004

Statistical Abstract of the United States
World Average Agricultural Tariffs, 2002

Source: WTO & ERS/USDA
Top 10 U.S. Ag Export Markets

Billion Dollars

U.S. Agricultural Trade, 1970-2006F

Trade Surplus Vanishes

Since 2000:
Exports + 25%
Imports + 50%

2006 Forecast for Fiscal Year from USDA/FAS (Feb 06 Forecast)
Observations

- Disparity in Population & Income Growth
- Disparity in Use of Trade Barriers
- Disparity in Agricultural Trade Growth
- Finally Seeing China Emerge as Market, Cuba Growing
- Questions About Role & Future Importance of Trade
International Institutions & Trade Strategies
U.S. Trade Strategy

**Unilateral**
- Generalized System of Preferences (GSP)
- CBI/CBERA
- African Growth Opportunities Act (AGOA)

**Regional/Bilateral**
- NAFTA, CAFTA-DR, Others

**Multilateral**
- World Trade Organization
- Only Forum Where All 150 Member Countries Are Present & Farm Policy Is Negotiated

**Concurrent Initiatives**
Doha Development Agenda in the World Trade Organization (2001-6?)

The Hong Kong Ministerial

December 13-18, 2005

Agreement on Reductions by April 30, 2006

Draft Schedules Due July 31, 2006

Conclude Negotiations December 31, 2006
Three Pillars for Negotiations in Agriculture

- Market Access
- Export Competition
- Domestic Support

Negotiations Under Tight Timeline
Due to Expiration of TPA July 2007
Hong Kong, December 2005

- Little Progress Made in Hong Kong
  - EU Trade Commissioner said state of negotiations was “serious but not desperate.”

- Agreement to Eliminate Export Subsidies by 2013

- Greater “Quota-Free, Duty-Free” Access Granted LDCs, Up to 97% of Products
  - LDC’s want it above 99% and Prepared to Veto

- While Many Fundamental Issues Remain Unresolved, Deadlines Have Been Set
Agreement on Degree of Tariff Cuts by April 30, 2006

- EU Wants to Reduce by 39% (They Claim 46%) while U.S. and Others Think EU Needs to Reduce by about 60%
- Each Country to Submit Tariff Schedules by July 30

While Export Subsidies Addressed, More work on STE’s and Export Credit Guarantees Needed

Agreement Still Needed on Cuts in Trade Distorting Domestic Support (Amber/Blue)

- U.S. Wants about 53%, Pushing EU and Japan Towards 80%
- This Does Not Address Green Box Programs
- U.S. wants “New” Blue Box for CCPs
other Negotiating/Related Issues

- NAMA (Non-Ag Market Access)
- The Cotton Case (DS 267)
- U.S. Budget Situation
- Dissension within EU (France vs. Everyone Else)
Observations

- WTO Could Result in No Substantial Agreement
- Future of WTO May Be On the Line
- Agreement Important to U.S.
  - Open Markets
  - Get Rid of Export Subsidy Distortions
  - Minimize Litigation Over Farm Policy
Role of Trade Agreements
Why Regional Agreements?

- 2d Best After MTN
  - WTO Has Been Slower than Desired
  - Outcome is Uncertain
- Economic Incentives
  - Open Markets
  - Increase Business Efficiency
- Keep Pressure on MTN to Perform
Strategic Considerations

- Secure Strategic Materials
  - Oil, Fertilizer, Natural Gas
- Stem Illegal Immigration by Creating Economic Opportunity in Other Countries
- Create ‘Buffer Zone’ Against Terrorism (9/11 Commission Report)
Trade Agreements In-Place (7)

- **Israel** - 1985-1994
- **Canada-US** (CUSTA) - 1989-1998
- **North America** (NAFTA) - 1994-2008
  - US-Mexico
  - US-Canada
  - Canada-Mexico
- **Jordan** - December 17, 2001-2010
- **Chile** - January 1, 2004-2015
- **Singapore** - May 6, 2003-2012
- **Australia** - January 1, 2005-2022
Trade Agreements-Pending (10)

- **Morocco**-President Signed 8/17/04, Pending Signature, King of Morocco

- **CAFTA-DR**-Signed by President, (20 Years to Full Implementation)

- **Bahrain**-Pending Submission to Congress

- **Panama**-Nine Negotiating Sessions Held, Panama Delays

- **Colombia, Ecuador, Peru (ANDEAN)**-Nine Rounds, Negotiations Continue

- **Thailand**-Three Rounds Held

- **S. Korea** - 2007
Trade Agreements-Pending (10)

- Southern African Customs Union (SACU): Botswana, Namibia, Lesotho, Swaziland, South Africa-Six Rounds Held
- MEFTA: Oman & United Arab Emirates
- Under Negotiation: Egypt, Others??
Dominican Republic, 800 Miles NE

Houston, 1,300 Miles NW
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<th>Country</th>
<th>Pop. (mil)</th>
<th>GDP/Person</th>
<th>Poverty %</th>
<th>Lit. %</th>
<th>Ag. Pop. %</th>
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CAFTA-DR Prospects

- U.S. Ag. Export Gains of $1.5 Billion Annually
- Near Term: HQ Beef, Cotton, Wheat & Soybeans
- Long Term: Rice, Dairy, Pork, Poultry & Corn
- Challenges: Sugar, Cantaloupe, Honeydew
- Limitations: Infrastructure, Income Growth/Distribution, Plant & Animal Health
- Other Opportunities: Investment
CAFTA-DR Ag. Trade, 2003

US Exports: $1,339 million
US Imports: $2,654 million

USDA, FATUS.
**Observations**

- Agreements May Be Necessary Condition for Opening New Markets for Agriculture
- Time is Crucial Due to Expiration of TPA
- Some Agreements Easier than Others
- Future of Free Trade of the Americas in Serious Doubt
Conclusions and Implications
Conclusions & Implications

❖ U.S. Market Is Open, Rest of World Is Not
  - U.S. Export Growth Lags Import Growth
❖ If Trade Growth is Important, Disparities Must Be Addressed
❖ Progress in WTO Important to U.S. & Texas for at Least 2 Reasons:
  - Markets
  - Farm Policy
Conclusions & Implications

- Reductions in *Trade Distorting* Domestic Support Likely Substantial
  - Some Adjustment for U.S. Producers

- Absent WTO Progress, Expect More Litigation in WTO Aimed at Farm U.S. Policy

- Trade Reform is at a Crossroads: Protection or Progress?
  - If Export Markets Are Important, Trade Agreements & WTO Progress Are Necessary, But Not Sufficient
Thank You!

Questions?

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